

Non-GAAP Financial Measures

Adjusted EBITDA is a supplemental non-GAAP financial measure that is used by management and external users of the Company's consolidated financial statements, such as industry analysts, investors, lenders and rating agencies. The Company defines Adjusted EBITDA as earnings before interest expense, income taxes, depreciation, depletion, amortization, exploration expenses and other similar non-cash or non-recurring charges. Adjusted EBITDA is not a measure of net income or cash flows as determined by United States generally accepted accounting principles, or GAAP.

The following table presents reconciliations of the GAAP financial measures of net income and net cash provided by operating activities to the non-GAAP financial measure of Adjusted EBITDA for the periods presented:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|-------------------|---------------------------|-------------------|
| | 2015 | 2014 | 2015 | 2014 |
| | <i>(In thousands)</i> | | | |
| Net income (loss) | \$ (53,230) | \$ 38,833 | \$ (71,271) | \$ 208,786 |
| Gain on sale of properties | — | (3,640) | — | (187,033) |
| Net (gain) loss on derivative instruments | 39,424 | 65,570 | (7,648) | 83,173 |
| Derivative settlements ⁽¹⁾ | 104,077 | (11,405) | 213,336 | (13,644) |
| Interest expense, net of capitalized interest | 37,405 | 38,990 | 76,189 | 79,148 |
| Depreciation, depletion and amortization | 119,218 | 97,276 | 237,696 | 188,548 |
| Impairment of oil and gas properties | 19,516 | 42 | 24,837 | 804 |
| Rig termination | 2,815 | — | 3,895 | — |
| Exploration expenses | 1,082 | 475 | 1,925 | 855 |
| Stock-based compensation expenses | 6,057 | 5,173 | 13,663 | 9,678 |
| Income tax (benefit) expense | (30,845) | 23,287 | (38,221) | 124,806 |
| Other non-cash adjustments | (97) | 118 | (101) | (628) |
| Adjusted EBITDA | \$ 245,422 | \$ 254,719 | \$ 454,300 | \$ 494,493 |
| Net cash provided by operating activities | \$ 141,525 | \$ 277,987 | \$ 229,886 | \$ 486,254 |
| Derivative settlements ⁽¹⁾ | 104,077 | (11,405) | 213,336 | (13,644) |
| Interest expense, net of capitalized interest | 37,405 | 38,990 | 76,189 | 79,148 |
| Rig termination | 2,815 | — | 3,895 | — |
| Exploration expenses | 1,082 | 475 | 1,925 | 855 |
| Deferred financing costs amortization and other | (3,404) | (1,733) | (5,059) | (3,220) |
| Current tax expense | — | 3,345 | — | 6,111 |
| Changes in working capital | (37,981) | (53,058) | (65,771) | (60,383) |
| Other non-cash adjustments | (97) | 118 | (101) | (628) |
| Adjusted EBITDA | \$ 245,422 | \$ 254,719 | \$ 454,300 | \$ 494,493 |

- (1) Cash settlements represent the cumulative gains and losses on the Company's derivative instruments for the periods presented and do not include a recovery of costs that were paid to acquire or modify the derivative instruments that were settled.

The following tables present reconciliations of the GAAP financial measure of income before income taxes to the non-GAAP financial measure of Adjusted EBITDA for the Company's three reportable business segments on a gross basis for the periods presented:

Exploration and Production

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|-----------------------------|-------------------|---------------------------|-------------------|
| | 2015 | 2014 | 2015 | 2014 |
| | <i>(In thousands)</i> | | | |
| Income (loss) before income taxes | \$ (99,164) | \$ 49,221 | \$ (133,172) | \$ 314,507 |
| Gain on sale of properties | — | (3,640) | — | (187,033) |
| Net (gain) loss on derivative instruments | 39,424 | 65,570 | (7,648) | 83,173 |
| Derivative settlements ⁽¹⁾ | 104,077 | (11,405) | 213,336 | (13,644) |
| Interest expense, net of capitalized interest | 37,405 | 38,990 | 76,189 | 79,148 |
| Depreciation, depletion and amortization | 118,049 | 96,477 | 235,589 | 186,705 |
| Impairment of oil and gas properties | 19,516 | 42 | 24,837 | 804 |
| Rig termination | 2,815 | — | 3,895 | — |
| Exploration expenses | 1,082 | 475 | 1,925 | 855 |
| Stock-based compensation expenses | 5,973 | 5,094 | 13,515 | 9,522 |
| Other non-cash adjustments | (97) | 118 | (101) | (628) |
| Adjusted EBITDA | \$ 229,080 | \$ 240,942 | \$ 428,365 | \$ 473,409 |

- (1) Cash settlements represent the cumulative gains and losses on the Company's derivative instruments for the periods presented and do not include a recovery of costs that were paid to acquire or modify the derivative instruments that were settled.

Well Services

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|------------------|---------------------------|------------------|
| | 2015 | 2014 | 2015 | 2014 |
| | <i>(In thousands)</i> | | | |
| Income before income taxes | \$ 9,030 | \$ 16,318 | \$ 18,638 | \$ 29,822 |
| Depreciation, depletion and amortization | 5,008 | 3,124 | 9,526 | 5,759 |
| Stock-based compensation expenses | 443 | 406 | 986 | 659 |
| Adjusted EBITDA | \$ 14,481 | \$ 19,848 | \$ 29,150 | \$ 36,240 |

Midstream Services

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|-----------------|---------------------------|------------------|
| | 2015 | 2014 | 2015 | 2014 |
| | <i>(In thousands)</i> | | | |
| Income before income taxes | \$ 15,922 | \$ 6,096 | \$ 25,211 | \$ 10,728 |
| Depreciation, depletion and amortization | 1,375 | 883 | 2,561 | 1,734 |
| Stock-based compensation expenses | 119 | — | 323 | — |
| Adjusted EBITDA | \$ 17,416 | \$ 6,979 | \$ 28,095 | \$ 12,462 |

Adjusted Net Income and Adjusted Diluted Earnings Per Share are supplemental non-GAAP financial measures that are used by management and external users of the Company's consolidated financial statements, such as industry analysts, investors, lenders and rating agencies. The Company defines Adjusted Net Income as net income after adjusting first for (1) the impact of certain non-cash and non-recurring items, including non-cash changes in the fair value of derivative instruments, impairment of oil and gas properties, and other similar non-cash and non-recurring charges, and then (2) the non-cash and non-recurring items' impact on taxes based on the Company's effective tax rate in the same period. Adjusted Net Income is not a measure of

net income as determined by GAAP. The Company defines Adjusted Diluted Earnings Per Share as Adjusted Net Income divided by diluted weighted average shares outstanding.

The following table presents reconciliations of the GAAP financial measure of net income to the non-GAAP financial measure of Adjusted Net Income and the GAAP financial measure of diluted earnings per share to the non-GAAP financial measure of Adjusted Diluted Earnings Per Share for the periods presented:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--|------------------|---------------------------|-------------------|
| | 2015 | 2014 | 2015 | 2014 |
| | <i>(In thousands, except per share data)</i> | | | |
| Net income (loss) | \$ (53,230) | \$ 38,833 | \$ (71,271) | \$ 208,786 |
| Gain on sale of properties | — | (3,640) | — | (187,033) |
| Net (gain) loss on derivative instruments | 39,424 | 65,570 | (7,648) | 83,173 |
| Derivative settlements ⁽¹⁾ | 104,077 | (11,405) | 213,336 | (13,644) |
| Impairment of oil and gas properties | 19,516 | 42 | 24,837 | 804 |
| Rig termination | 2,815 | — | 3,895 | — |
| Other non-cash adjustments | (97) | 118 | (101) | (628) |
| Tax impact ⁽²⁾ | (60,804) | (19,000) | (81,795) | 43,896 |
| Adjusted Net Income | \$ 51,701 | \$ 70,518 | \$ 81,253 | \$ 135,354 |
| Diluted earnings per share | \$ (0.39) | \$ 0.39 | \$ (0.58) | \$ 2.08 |
| Gain on sale of properties | — | (0.04) | — | (1.86) |
| Net (gain) loss on derivative instruments | 0.29 | 0.65 | (0.06) | 0.83 |
| Derivative settlements ⁽¹⁾ | 0.76 | (0.11) | 1.73 | (0.14) |
| Impairment of oil and gas properties | 0.14 | — | 0.20 | 0.01 |
| Rig termination | 0.02 | — | 0.03 | — |
| Other non-cash adjustments | — | — | — | (0.01) |
| Tax impact ⁽²⁾ | (0.44) | (0.19) | (0.66) | 0.44 |
| Adjusted Diluted Earnings Per Share | \$ 0.38 | \$ 0.70 | \$ 0.66 | \$ 1.35 |
| Diluted weighted average shares outstanding | 136,859 | 100,260 | 123,157 | 100,328 |
| Effective tax rate | 36.7% | 37.5% | 34.9% | 37.4% |

(1) Cash settlements represent the cumulative gains and losses on the Company's derivative instruments for the periods presented and do not include a recovery of costs that were paid to acquire or modify the derivative instruments that were settled.

(2) The tax impact is computed utilizing the Company's effective tax rate on the adjustments for certain non-cash and non-recurring items.